

Rusina Mining

Buy RML around 49 cents

Attracts major European investor backing

[Fat Mining 75](#), 16 May, 2007
[Printer Friendly](#)

SYMBOL DEFINITIONS

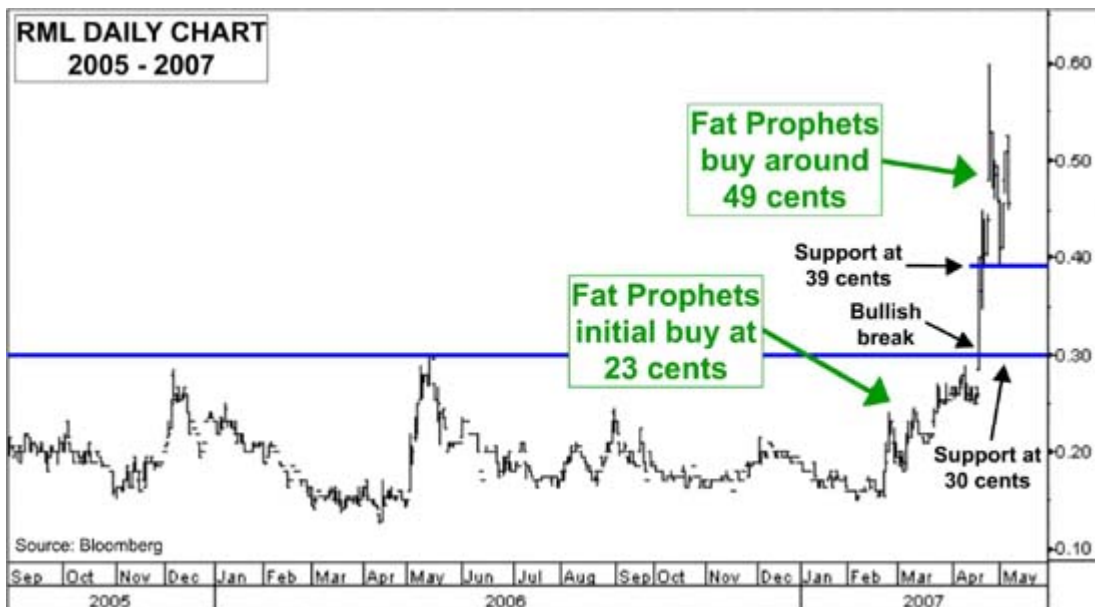
 BASE METALS	 HIGH RISK	 MARKET CAP \$80 million
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Rusina Mining has been an outstanding performer and it is timely that we revisit the story of this emerging nickel producer for our Members. Given the prospectivity and development potential of its Acoje Project in The Philippines, we find it very difficult to ignore the vast inherent value in this company, especially as its market value is still so modest. First cash flow is now highly likely before the end of 2007. Adding further to interest is the announcement of a deal with UK-listed European Nickel, which will see the funding of a heap leach trial and feasibility study on the Acoje project.

"Rusina Mining has been an outstanding performer over a relatively short space of time and this new deal further boosts its mining prospects."

Fat Prophets initially recommended buying RML around 22 cents in March (Fat Mining 69). Our actual entry price was 23 cents.



Since our buy recommendation in March, there has been a substantial re-rating of Rusina by investors. As a result, there has been a near tripling of the share price and a surge in average daily trading volumes.

Following such a rapid move higher, it is expected that the upward trend of any stock will pause for consolidation. Rusina is no exception. As shown on the daily chart, the May low of 39 cents provides initial support for the stock. Below this, the former high of May 2006 provides additional support that we believe will underpin prices in the weeks ahead.

Once near term volatility has passed, we believe that Rusina will remain on an upward trajectory. In the coming months, we anticipate an extension of the upward trend above 60 cents with significantly higher

levels achievable in time.



Since first introducing Rusina Mining to our Members, there has been a steady stream of good news for investors, resulting in a tremendous surge in the company's share price over a relatively short period of time.

We feel it is worthwhile to revisit the story, particularly as it has just released its March quarter activity report, and is benefiting from price strength in two key commodities - nickel and platinum.

As a quick reminder to Members, Rusina's flagship asset is its Acoje platinum, nickel and chromite project which is situated in the Zambales Province on Luzon Island, in the Philippines.

The Acoje tenement hosts three different styles of mineralization. These comprise primary chromite; primary PGM (platinum group metals) and nickel mineralization; and nickel, cobalt, chromite, platinum and palladium in tropical laterite soils.

The Acoje property itself is quite large, measuring 11km x 5km. Significantly, previously reported resources have only focused on a small 1.2 sq km area, so there is enormous potential for the discovery of further mineralization.

The geology of Acoje has many similarities to the world's major platinum (Pt) and palladium (Pd) producing provinces, comprising a sequence of ultramafic-mafic rocks with nickel sulphide and chromite rich horizons.

In fact, Acoje is one of the few projects that have produced PGM-rich nickel sulphide outside of the major producing areas of South Africa's Bushveld, Zimbabwe, the Stillwater complex in Montana, USA and Siberia.

With reference to the results of Rusina's recent test pit deepening program, the Acoje nickel laterite contains two layers: an upper red iron rich soil or limonite horizon and an underlying nickel-rich rock saprolite horizon.

Rusina recently defined a JORC-compliant resource estimate of 33.15 million tons @ 0.95% nickel and 0.07% cobalt, within the upper limonite zone. Rusina estimated the limonite resource using manually excavated test pits. Many of these pits terminated in the harder saprolite mineralisation.

During January, the company initiated a deepening program of the test pits, but the majority of pits were unable to reach the bottom of the saprolite horizon to allow resource estimation. However, the company has now received final results from the saprolite test pit deepening program, with significant nickel grades including 3.2 metres @ 2.94% nickel and 4.5 metres @ 2.71% nickel.

The results show that there is a distinct difference in the nickel mineralisation between the limonite and saprolite horizons at Acoje. Furthermore, there is current high demand for high iron (>40% Fe), low nickel (>0.9% Ni) ferronickel 'pig iron' ore feed, of which Acoje limonite is suitable.

Let us now turn to recent developments.

Continuously promising nickel exploration results from work aimed at deepening the test pit at Acoje recently led to the signing of a nickel mining agreement with a well known Philippines mining and civil contracting group. DMCI Holdings (DMCI) is a well known Manila-based and listed mining and civil contractor.

The agreement will see the mining of 5 million tonnes of Acoje's surface nickel laterites over the next five years under a profit-sharing, partnering contract signed with DMCI. The agreement will effectively share all net profits 50:50 from the sale of the mined laterites.

The deal currently applies only to Acoje's surface laterites, but mining of chromite is possible under agreed mine plans between both parties. DMCI will have no equity in the project itself. Any infrastructure developed by DMCI on the property will revert to Rusina.

Notably, there is no requirement for any capital injection by Rusina into this mining operation, the first at Acoje. Furthermore, the agreement does not require either the sale of Rusina's project equity or dilution of Rusina shareholders' interests.

DMCI has all of the necessary operating credentials. It has proven expertise in project start-ups, including management of the 3.5 million tonne per annum Semirara coal mine in the southern Philippines.

The contract means DMCI is responsible for all funding, mining, grade control, rehabilitation, road and port development work for the project, as well as marketing and sales obligations for the 5 million tonne ore volume.

The initial mining will focus on the high iron (>40% Fe content) low nickel (>0.9% Ni content) ferro-nickel limonite ore. This ore currently commands a premium price of around US\$40 a tonne. In its March quarter report, Rusina comments that while the longer-term market for low-grade ore remains uncertain, it believes the market for the higher-grade nickel laterites will remain strong for the medium term.

According to the March quarter report, permission for the direct shipping has been fast-tracked separately to permitting requirements for the entire operation, with a trial shipment of 50,000 tonnes of laterite ore approved by the Mines and Geosciences Bureau on April 24. A smaller Environmental Impact Assessment covering a 25ha area around the initial DMCI starter pit has been completed, with approval expected in May.

DMCI has purchased land for the port and is currently mobilising equipment and a laboratory to site. Rusina anticipates the first bulk shipment to be on schedule for the third quarter of 2007.

Effectively, what all of this work means is that the mining of nickel laterites has now overtaken Rusina's previous ambitions of chromite mining at Acoje.

We anticipate that Rusina will use the cash generated from the nickel laterite mining to fund further exploration at Acoje, particularly the deeper potential of the PGM mineralisation.

One of the major reasons that Rusina aligned itself with DMCI, is DMCI's desire to leverage off the proposed Acoje laterite project and develop a second, bigger project involving the development of a ferro nickel smelter. This would ensure a long-term sales opportunity for Acoje's high iron content nickel limonites.

So let us explain this bigger, second phase opportunity for Rusina.

DMCI's vision is to develop a ferro-nickel 'pig iron' smelter at their Semirara coal mine, as referred to previously. Both companies have been jointly investigating the feasibility of jointly developing such a facility. The mine is in an ideal location with abundant limestone resources situated nearby and a coal-fired

power station.

The recent emergence of the pig iron market is a result of the high nickel price and some technological breakthroughs in blast and arc furnaces. Pig iron is a ferro-nickel used in the production of stainless steel, which is currently gaining popularity, as stainless steel manufacturers pay for the nickel at LME prices but effectively get the iron for free.

Since Rusina and DMCI can sufficiently supply all of the raw material inputs, a ferro-nickel smelter at Semirara would be more cost competitive than other smelters.

As a result, the parties have just confirmed an arrangement to pursue such a development, with DMCI also agreeing to take a 10% stake in the entire Acoje Project. We regard this as a major vote of confidence by DMCI!

As part of the deal, DMCI will subscribe for 3.7 million Rusina shares at a price of A40 cents each, kicking US\$1.2 million into Rusina's coffers. DMCI will also have a similar number of options exercisable at A50 cents within a two year period.



Encouragingly, Rusina also has a third, even longer-term project proposal based on the Acoje deposit. This concept is based on the results of initial metallurgical testwork that shows the Acoje nickel laterites may be suitable for heap leach or atmospheric leaching.

The advantage of this proposal is that both processes require substantially less development capital than nickel laterite deposits, which requires high pressure acid leach plants. Operating costs are also significantly lower.

A feasibility study including a pilot plant is required to demonstrate the economics of this process and Rusina has just confirmed a deal with UK nickel group, European Nickel. The deal will see the company fund Rusina through a heap leach trial and full feasibility study on the project.

European Nickel will acquire 5.9 million Rusina shares at A40 cents each, representing A\$2.5 million. It will also hold a similar number of options, with an exercise price of A50 cents within two years. Rusina will use the funds to compile a JORC-compliant Resource estimate for Acoje.

European Nickel will also fund a feasibility study over a two to three year period on the potential development of a heap leach operation on the nickel laterite resource, spending up to US\$10 million to earn a 40% stake in this aspect of the property.

Importantly, this work would not interfere with Rusina's phase one and two plans, as outlined previously.

There is obviously an amazing amount of work to be undertaken on Rusina's Acoje project, which we are very excited about. **Rusina Mining will remain held within the Fat Prophets Mining & Resources portfolio, but for Members with no current exposure we recommend the stock as a Buy around 49 cents.**

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